

MONTANA BOARD OF HOUSING
Copper King Hotel and Convention Center
4655 Harrison Ave
Butte, MT 59701
February 11, 2008

ROLL CALL OF BOARD

MEMBERS: J.P. Crowley, Chairman (Present)
Betsy Scanlin, Vice Chairman (Present)
Susan Moyer, Secretary (Present)
Audrey Black Eagle (Present)
Bob Gauthier (Excused)
Jeanette McKee (Present)
Jeff Rupp (Present)

STAFF: Bruce Brensdal, Executive Director
Mat Rude, Multifamily Program Manager
Chuck Nemec, Accounting & Finance Manager
Nancy Leifer, Homeownership Program Manager
Penny Cope, Marketing & Web Specialist
Justin Schedel, Operations Specialist

COUNSEL: Pat Melby, Luxan and Murfitt

UNDERWRITERS: Gordon Hoven, Piper Jaffray

OTHERS: Debby Barrett, Representative for HD 72
Ronny Ziegler, Atherton/ Pinnacle
June Pack, Ruby Valley National Bank
Gary Shea, Shea Realtors, Butte
Sandy Johnson, Real Estate Professionals

CALL MEETING TO ORDER

Chairman, J. P. Crowley, called the meeting to order at 8:30 a.m. He asked the Board, staff, and guests to introduce themselves.

APPROVAL OF MINUTES

Betsy Scanlin moved to approve the January 7th Board meeting minutes. Susan Moyer seconded the motion. The Chairman asked for comments. The motion passed unanimously.

PUBLIC COMMENTS

Gary Shea, a realtor from Butte, said the housing market was down because of unemployment, but it is improving due to some industry coming into the area. Montana Board of Housing Programs are important to the area due to income levels and values of properties.

Ronny Ziegler said the Atherton will have some vacancies, but they will be filled soon.

Sandy Johnson said there is a shortage of houses on the market and a lot of them are older homes in need of repairs. New construction is needed in Butte.

MULTIFAMILY PROGRAM

Mat Rude gave a summary of the Tax Credits applications received and amounts requested. He asked what kind of information the Board needs to make their allocation decision. Mat said they would provide a narrative of strengths and weaknesses for each project. Jeff Rupp said he would be recused from any discussions or voting for Tax Credits this round. Mat stressed that a comparison analysis between all programs is part of the ranking. The Board asked that scoring and project information be released in advance packets sent one week before the meeting.

HUD changed their census data collection method which could result in housing projects having frozen rents for several years.

Mat said they are considering using a website called Social Serve, which helps search for rental apartments. The service is free to customers and some show pictures, accessibility information, qualifications, if pets are allowed, and if for seniors.

Mat said he received an e-mail and phone call from a firm that invests in Tax Credits requesting that they receive pre-approval so that if they can't lease up the 1-2 bedroom units in Polson Meadows in 6 months for people 55 and older, then they are allowed to lease to families. The Board consensus was to not give the pre-approval.

There was an exception to the Reverse Annuity Mortgage (RAM) Program age limit. This request is for someone 51 years old and the limit normally is 68. Jeff Rupp moved to grant the RAM exception. Betsy Scanlin seconded the motion. The Chairman asked for comments. The motion failed with Jeff voting in favor of the motion and the other voting against the motion.

FINANCE PROGRAM

Chuck Nemec said interest rates on investments are dropping because of the Federal Reserve. Last year we were earning around 5% on two week and 4 month money. This year the two week money is 2⅓% and the 4 month money is 2¼% which is inverse yield curve. The short-term money is earning more than the long term money. Interest costs are not patterning down with the interest earnings. Other states having bond issues in January sold bonds with interest rates about the same as MBOH received in November, so the cost of funds has not declined. The price of money is still the same and with the spread on top of that, Montana Board of Housing (MBOH) would have to charge mortgage interest rates higher than the current market. Other states are doing smaller bond issues to deal with the market.

HOMEOWNERSHIP PROGRAM

Nancy reported that approximately \$40 million in loans have been purchased or committed in the 2007D current bond issue. This leaves about \$14 million left. Recent market rates for 30 year fixed mortgages have been lower than the MBOH rate of 6%, but MBOH has not lowered its rate because to do so would be below MBOH's costs. As a result, demand is down.

Staff attended a conference hosted by Standard and Poors which had both housing finance agency and investor representatives participating. Rating agencies will be looking very closely at loan portfolios in the future, especially at 100% loan-to-value loans (LTV). This is a large component of MBOH's conventional loan portfolio, with 70% of the Genworth loans in this category. Nancy will be researching the feasibility of requiring borrowers with very high LTV's to take MBOH's certified homebuyer education. There have been no foreclosures of conventional loans since the program began in July of 2005.

Wells Fargo has corrected the 2006 audit errors. However, they still have difficulty with the procedures for processing insurance checks. MBOH is listed as the mortgagee on insurance policies and must sign off on insurance checks over \$1,000. The lender puts the money in an escrow account and monitors it for the repairs. Wells Fargo tracks repairs over \$15,000. They also have difficulty providing borrower information. Auditors check out-of-state servicers for how long it takes to get information from a branch office in Montana. This year it took Wells Fargo a minimum of 1.5 hours in 3 of the 4 places they had offices. MBOH sent Wells Fargo a letter asking them if the best choice for them was coming in compliance by July 1st, selling the servicing to another MBOH servicer, or having MBOH terminate their servicing if they are unwilling or unable to comply.

MBOH received a request for reimbursement of Recapture Tax from an individual who sold his home in April of 2007. Recapture Tax is a federal provision administered by the IRS. MBOH's Recapture Tax Reimbursement Program was originally intended to remove any reason for lenders and Realtors to steer borrowers away from getting MBOH loans because of the potential of incurring the tax. The effective date of the policy was May 8, 2006 on all new loans going forward. The Board changed the policy to apply to all homes sold after November 20, 2007, at the request of an individual who had not yet sold his home at that time. Staff noted that to be legally correct, the Board should not approve requests on an individual basis, but should do so based on policy that treats all groups of borrowers the same. To do so in this case would require a policy of reimbursing all borrowers who incurred recapture tax in the past. This puts the Board at risk for an unknown amount of claims at a time when the Board should be minimizing risks on demands for its funds. Betsy Scanlin made a motion to approve the request to obtain Board action on the request. The motion was seconded by Jeff Rupp. The Chairman asked for comments. The motion failed.

FHA released the new loan limits for 2008. The 2008 FHA statewide loan limit has not changed from last year and remains \$200,160. FHA also allows higher loan limits in Gallatin, Missoula, and Flathead counties. Last year the Board opted not to allow the higher limits but to retain the same limit for the entire state. This was done to help address potential bond cap limits by limiting the size of the loans and because of administrative complexities. Susan Moyer moved to retain the statewide FHA limit of \$200,160. Jeanette McKee seconded the motion. The Chairman asked for comments. The motion failed with Susan, Audrey and JP voting in favor of the motion and Jeanette, Jeff and Betsy voting against the motion. Betsy Scanlin moved to approve the statewide limit for all but the three counties with higher limits, and to approve the higher limits subject to the Board's current purchase price limit of \$237,031 for each of the three counties. Jeff Rupp seconded the motion. The Chairman asked for comments. The motion passed.

Countrywide Home Mortgage requested becoming an approved lender as part of Countrywide Bank. The Board would like more information. Jeff Rupp moved to table the approval of Countrywide Bank. Susan Moyer seconded the motion. The Chairman asked for comments. The motion passed.

Nancy updated the Board on the Request for Proposal (RFP) for Master Servicer. Tom Welch of Pioneer Federal sent a letter stating they were committed to serving their customers and retaining the servicing of the loans. Moving to an MBS requires having a master servicer. This would prevent them from using MBOH programs for RD and conventional loans. Nancy will do a data search on the distribution of RD loans relative to servicing and the volume of loans affected by various parties making the decision not to use MBOH. She will also poll the lenders to see where they stand on this issue. Fannie Mae Mortgage Backed Securities (MBS) would help our bond rating or parity and allow MBOH to do some issues out of Indenture II. US Bank was the highest ranked of the two firms that bid. Jeanette McKee moved to approve the selection of US Bank as Master Servicer based on the RFP process. Jeff Rupp seconded the motion. The Chairman asked for comments. The motion passed unanimously.

The Proposed Administrative Rule changes updated the criteria for participating lenders and servicers. They will be posted on the website on February 14th with a hearing on March 7th.

Nancy Leifer reported that the Set-aside programs currently have \$16,231,772 of set-asides and about \$22 million available. Staff requested an additional \$1 million for the Disabled Access Affordable Housing Program (DAAHP). The loans assist individuals who require physical modifications to the home because of the nature of their disability. Betsy Scanlin move to approve \$1 million for the DAAHP Program. Susan Moyer seconded the motion. The Chairman asked for comments. The motion passed unanimously.

EXECUTIVE DIRECTOR

Bruce Brensdal gave an outline of key topics for the strategic planning session in March. Board members will have a baby shower for Bruce and Amber before the planning session.

Betsy and J. P. will attend the NCSHA Legislative Conference in Washington DC on March 2-5. The Mountain Plains Housing Summit will be May 6-7 in South Dakota. The Board meeting will take place in Eastern Montana before the Summit.

The next meeting is scheduled for March 10 in Helena. Future meetings are tentatively scheduled for April 7 in Helena, May 5th in Crow Agency, and June 2 in Pablo.

The meeting adjourned at 11:30 a.m.

Susan Moyer, Secretary

Date